

October 18, 2006

VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

Bingham McCutchen LLP
Suite 300
3000 K Street NW
Washington, DC
20007-5116

Re: Notification of *Ex Parte* Meetings of Neutral Tandem, Inc.
WC Docket No. 06-159

Dear Ms. Dortch:

Pursuant to Section 1.1206 of the Federal Communications Commission's ("Commission") Rules, 47 C.F.R. § 1.1206, this letter serves to provide notice that on October 17, 2006, the undersigned along with Rian Wren and Ronald Gavillet of Neutral Tandem, Inc. ("Neutral Tandem") made presentations concerning the above-referenced proceeding in a meeting with Michelle Carey, Legal Advisor to Chairman Martin; a meeting with Ian Dillner, Legal Advisor to Commissioner Tate; and a meeting with Lisa Fowlkes, Deborah Klein, Ron Repasi (all of the Public Safety and Homeland Security Bureau) and Victoria Goldberg (of the Wireline Competition Bureau).

The purpose of these meetings was to provide an overview of Neutral Tandem's business, and to discuss Neutral Tandem's Petition for Interconnection and related Motion for Interim Order filed in the above-referenced docket. Consistent with the presentation provided to Commission staff at the meetings and attached hereto, Neutral Tandem discussed the comments, reply comments, and other filings made in the above-referenced docket that support the Company's Petition. The Company further emphasized that grant of the Petition would enhance network redundancy and homeland security.

Pursuant to the Commission's Rules, this letter is being filed in the above-captioned proceeding for inclusion in the public record. Should you have any questions, please do not hesitate to contact the undersigned.

202.424.7500
202.424.7647 fax

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Sincerely,

/s/
Russell M. Blau

Counsel for Neutral Tandem, Inc.

Attachment

cc: Rian Wren (Neutral Tandem)
Ronald Gavillet (Neutral Tandem)
Michelle Carey (FCC)
Ian Dillner (FCC)
Lisa Fowlkes (FCC)
Deborah Klein (FCC)
Ronald Repasi (FCC)
Victoria Goldberg (FCC)



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WC Docket No. 06-159

**Neutral Tandem's Petition for
Interconnection with Verizon Wireless**



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Company Overview

Who we are

The premier tandem service provider, facilitating the interchange of traffic between wireless carriers, cable companies, CLECs, and enhanced service providers.

Our Value Proposition

- Innovative neutral alternative to ILEC tandems
- Lower our customers' OPEX/CAPEX
- Simplify the interconnection network
- Increase quality of service and network reliability
- Level the playing field

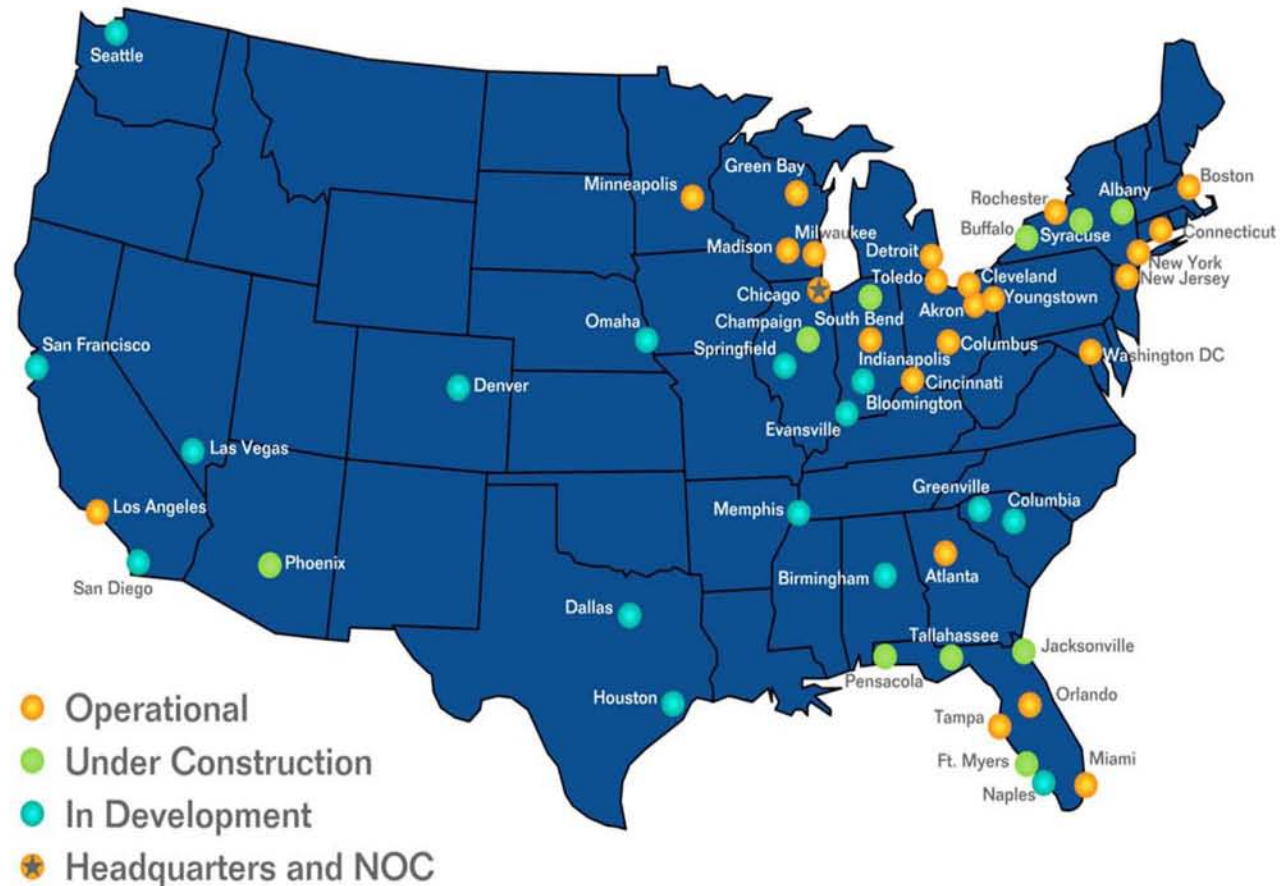


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Neutral Tandem Coverage Map

Coverage:

- 46 LATAs across the country
- Over 133M phone numbers available to route to





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Industry Trends

Significant Growth in Intercarrier Traffic

- **MOU Growth Among Competitive Carriers**
 - Wireless MOUs were approximately 1.5 Trillion in 2005 with 35% YoY growth.
 - CLEC MOUs were 341 Billion in 2005.
 - CLEC & Wireless MOUs in 2005 represented 54% of total MOUs.
 - Cable MSOs are adding over 75,000 phone subscribers/week.
- **ILEC Wireline Displacement Continues**
 - LNP continues to facilitate the migration of traffic away from the ILEC.
 - Wireless is growing in popularity as a replacement for landline service.
 - Increasing competition from Cable and VoIP service providers.
- **Requirement to Lower Operating and Capital Expenses**
 - Increased market and economic pressures.
 - Strongest carriers survive and thrive.



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ILEC Tandem Network

Complicated

Expensive

Inefficient

Cumbersome

The ILEC Tandem network was built to serve ILEC Central Offices and not competitive switches.

ILEC Tandem

Wireless
Carriers

ILEC Tandem

ILEC Tandem

CLEC's

ILEC Tandem

ILEC Tandem

Cable

ILEC Tandem

ILEC Tandem

ILEC Tandem



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Service Description

Competitive Exchange Network

Efficient

Cost Effective

Simplified

Diverse

Non-Blocking



Carriers utilize Neutral Tandem to exchange inter-carrier traffic and bypass ILEC Tandems.

Neutral Tandem's Petition and Motion

- Petition Requests:
 - An order under Section 201(a) applicable to Verizon Wireless **only**;
 - requiring Verizon Wireless to permit direct connections for termination of Neutral Tandem's traffic **only**;
 - **only** where traffic volumes justify (3 T's); and
 - **only** where Neutral Tandem pays 100% of the transport.
- Pending Motion Requests:
 - An immediate order requiring Verizon Wireless to maintain existing trunk groups established under contract with Verizon Wireless.

Section 201(a)

- “It shall be the *duty* of every common carrier...in cases where the Commission, after opportunity for hearing, finds such action necessary *or desirable* in the public interest, to establish physical connections with other carriers....”

Verizon Wireless' Flawed § 201(a) Analysis

- VW *concedes* Section 201(a) applies and that the FCC could order direct connections if in the public interest
 - “It has been Verizon Wireless’s consistent position that Neutral Tandem is free to petition the Commission for direct connections with Verizon Wireless under Section 201(a).”
- VW *incorrectly* assumes however that NT is collocated at and uses LEC facilities, thus adding little diversity
 - “...to the extent that Neutral Tandem is collocated at LEC facilities and uses LEC transport, the addition of Neutral Tandem’s switching facilities will add network complexity and reduce efficiency with very little or no gain in terms of survivability.”

Verizon Wireless' Flawed § 201(a) Analysis

- The truth is that NT's network is **extremely diverse** from the LEC and thus increases the survivability of the PSTN
 - NT never uses LEC facilities except in the rare instance when a connecting carrier requires such use
 - Only 11 out of a total of 723 DS3s (1.5%) currently in place between NT and its carrier customers are provided by the LEC
 - In Detroit, for example, NT terminates 100% of its traffic to VW without ever touching LEC facilities
- VW's counsel, Charon Philips, has testified:
 - "Direct interconnection arrangements are generally efficient where the volume of traffic exchanged reaches *500,000 minutes of traffic on a monthly basis.*"
 - NT's proposed threshold for direct connection with VW is 200% higher: 3T-1's.

Strong Support for the Petition

- Petitioned received overwhelming support from a wide range of parties
- Over 20 parties filed in support, including:
 - New York Department of Public Service
 - City of Chicago
 - Illinois Commerce Commissioner
 - AT&T
 - Comptel
 - Cbeyond
 - RCN
 - Integra
 - McLeodUSA
 - One Communications
 - Several other carriers

Public Interest Grounds for Granting the Petition: Network Reliability

- New York DPS:
 - “After the September 11 attack, we found that the wireless industry may have consistently undersized trunks interconnecting their services to wireline facilities. While this practice may make sense from a purely economic standpoint, the danger is that it can result in network “choke points” that may easily become swamped in emergency or catastrophic situations.”
- City of Chicago:
 - “The City urges the Commission to heed the [Hurricane Katrina] panel’s guidance and not limit availability of the competitive alternatives offered by Neutral Tandem, which positively affect both current emergency preparedness efforts and the City’s ability to respond to a future crisis situation. Because encouraging redundancy in the PSTN in the manner requested by Neutral Tandem before disaster strikes is to the benefit of all citizens, the Petition should be granted.”

Public Interest Grounds for Granting the Petition: Network Reliability

- FCC Katrina Report:
 - “In reviewing the detailed reports from each communications sector, there were three main problems that caused the majority of communications network interruptions: (1) flooding; (2) lack of power and/or fuel; and (3) **failure of redundant pathways for communications traffic.**”
 - During the New Orleans disaster, “[t]he switches that failed, **especially tandems**, had widespread effects on a broad variety of communications in and out of the Katrina region.”[
 - “Katrina highlighted the **dependence on tandems and tandem access**....The high volume routes from tandem switches, especially in and around New Orleans were especially critical and vulnerable. Katrina highlighted the need for diversity of call routing and avoiding strict reliance upon a single routing solution.”
- Chairman Martin:
 - “When I first became Chairman, I identified public safety and emergency preparedness as another top priority. As memories of Hurricane Katrina and 9/11 continually remind us, one of our most important objectives is to ensure that basic public safety requirements are met.”

Public Interest Grounds for Granting the Petition: Network Reliability

- Comptel:
 - “Neutral Tandem's direct connections with Verizon Wireless will advance network reliability and redundancy, will aid disaster recovery in the event of any overcapacity or outage situation, and will therefore promote homeland security.”
- McLeodUSA:
 - “The availability of an alternative, competitive tandem service also increases the network's overall efficiency, redundancy and reliability, which in turn speeds up disaster recovery efforts and bolsters homeland security.”
- Illinois Commerce Commissioner:
 - “Neutral Tandem's operations as an alternate tandem service provider would add redundancy to the telecommunications network, and could minimize service disruptions in the event of natural disasters and other catastrophes.”
- Joint Commenters:
 - “[C]reating an additional termination route to Verizon Wireless promotes network reliability, diversity, homeland security, and disaster recovery across the PSTN as a whole. The benefits are especially great in areas suffering from ILEC tandem exhaust and call blocking due to that tandem over-capacity.”



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Homeland Security Benefit: Tandem Redundancy

BEFORE

Neutral Tandem:
Bell tandems are a
single point of failure

AFTER

Neutral Tandem:

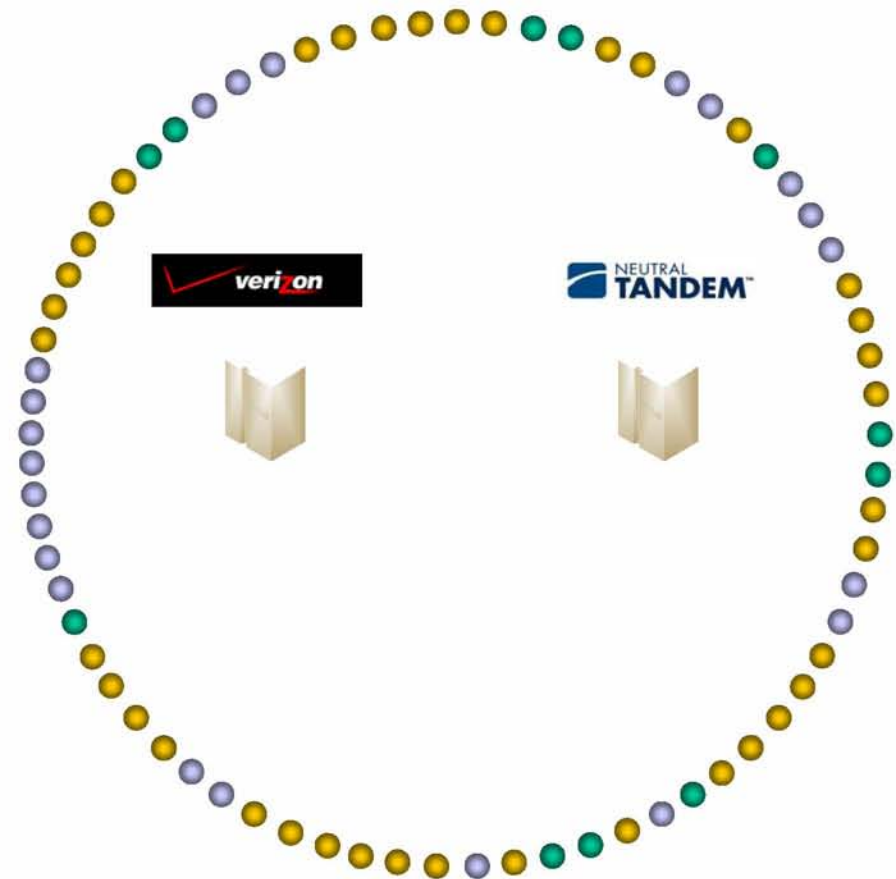
- *Diverse Carrier*
- *Diverse Switch Site*
- *Diverse Switch*
- *Diverse Transport*
- *Diverse Routes*

- Actual New York Example:
- NT connects 71 switches from
 - 25 different carriers in
 - 35 different buildings using
 - 9 different fiber providers



Key:

- Wireless Switch
- CLEC Switch
- Cable/IP Switch





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Homeland Security Benefit: Tandem Redundancy

Without **Neutral Tandem:**

- Verizon Wireless switches lack redundant tandem connection
- Exposes millions of corporate and consumer end users to extended out of service condition

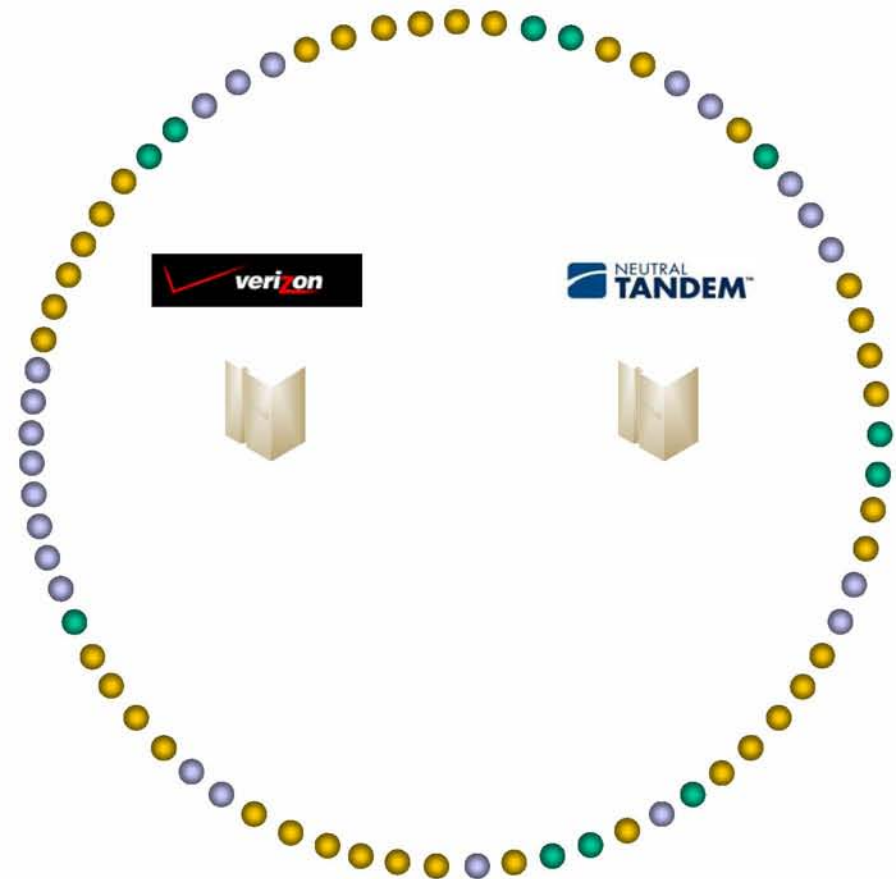
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Key:

- Wireless Switch
- CLEC Switch
- Cable/IP Switch



Public Interest Grounds for Granting the Petition: Competition

- New York DPS:
 - “The NYDPS believes that the relief requested by Neutral Tandem will foster network reliability and competition in New York and elsewhere.”
- City of Chicago:
 - “The City submits that the availability of multiple, competing service providers adding redundancy to the PSTN is a distinct public benefit that justifies granting the Petition.”
- Illinois Commerce Commissioner:
 - “[Neutral Tandem’s competitive] presence provides ILECs an economic incentive to improve their transit and tandem services.”

Public Interest Grounds for Granting the Petition: Competition

- Cbeyond:
 - “[I]n many markets, Neutral Tandem offers the only local transit service alternative to the incumbent LEC. Such competition results in improved service quality and lower rates for carriers like Cbeyond that in turn pass those cost efficiencies and lower costs on to their retail customers.”
- Comptel:
 - “This competitive alternative to the ILEC tandem has multiple benefits, which include increased operational options, reduced transiting traffic costs, and decreased levels of tandem exhaust at ILEC tandems.”
- Integra:
 - “The requested interconnection would provide a competitive alternative to the incumbent LECs’ historic stranglehold on tandem services for delivering traffic to one of the largest wireless providers in the United States.”
- Joint Commenters:
 - “The direct connections requested by Neutral Tandem are clearly ‘necessary or desirable in the public interest’ because they will promote tandem competition and all of the related benefits associated with such competition including lower prices, lowered barriers to entry, and increased network efficiency.”
- McLeodUSA:
 - “By offering a competitive alternative, Neutral Tandem allows carriers to avoid the bottleneck created by ILECs’ domination of the industry, resulting in benefits such as reduced costs, increased operational efficiency, and lower levels of ILEC ‘tandem exhaust.’”

Public Interest Grounds for Granting the Petition: Section 251

- AT&T
 - “The only interpretation of § 251(a)(1) that is consistent with Act and promotes efficient interconnection is that originating carriers are entitled to choose whether to interconnect directly or indirectly with terminating carriers. A natural corollary to that interpretation of the scope of § 251(a)(1) is that a terminating telecommunications carrier may not refuse to interconnect directly with a transit service provider”
 - “Originating telecommunications carriers also should have the right to determine whether they will deliver telecommunications traffic directly or indirectly to terminating telecommunications carriers. Otherwise, terminating telecommunications carriers could force originating carriers to bear the cost of inefficient interconnection arrangements, and originating carriers would have no recourse for recovering the cost of those inefficiencies other than through their end user retail rates.”

Motion Should be Granted

- August 17, NT filed its motion seeking an immediate order requiring Verizon Wireless to maintain existing trunk groups established under contract with Verizon Wireless.
- NT meets the standard for granting Motion:
 - Likelihood of Success on the merits
 - Irreparable harm
 - To NT & its customers
 - To PSTN (see comments of City of Chicago and Illinois Commerce Commissioner)
 - No harm to VW
 - Public interest will be served
- VW has threatened to take down operating trunks that are all at-capacity:
 - Chicago: 80 carrier switches from 20 different carriers route 40 million minutes/mth of traffic to VW through NT's 160 DS1s.
 - Detroit: 15 carriers route 20 million minutes/mth of traffic to VW through NT's 80 DS1s.
 - New York: (VW restricted capacity in New York, thus) NT is routing 1.5 million minutes/mth to VW from just 12 of 71 connected switches
- Detroit VW re-homing: VW's attorney halted implementation of additional capacity to absorb VW code transfer at Southfield switch. Large customers of NT have responded that they do not have sufficient capacity via the incumbent LEC tandem to deliver this traffic to VW's Southfield switch.
- Most expeditious remedy is for the Commission to direct Verizon Wireless to:
 - (i) maintain existing connections with Neutral Tandem; and
 - (ii) permit Neutral Tandem to terminate sufficient capacity to VW switches to ensure that traffic from Neutral Tandem's carrier customers is not blocked as a result of Verizon Wireless' re-homing plans in Detroit.



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No Incremental Costs to Verizon Wireless

- VW has not identified any incrementally higher costs associated with receiving traffic from NT versus the LEC tandem, because there are none.
 - **Transport Cost:** NT lowers VW's cost because NT pays 100% of the transport costs to deliver traffic to VW.
 - **Switch Ports:** It's a one-for-one substitution on switch ports--every T-1 connected between NT and VW is one less T-1 from the LEC tandem to VW.
- All tandem interconnection, both LEC and NT, is done at a T-1 level

Inconsistencies Between Verizon and Verizon Wireless

- Verizon supports wholesale carriers interconnecting in the Time Warner Cable proceeding, but Verizon Wireless argues NT should not be allowed to interconnect because it has no “end users”.
- Verizon argued in the Virginia Arbitration case for direct connection of switches when there is a T-1’s worth of traffic, Verizon Wireless refuses to interconnect even where NT has several DS-3’s worth of traffic